



Connecticut School Transportation Association

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Statement by
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Before the
Education Committee
March 1, 2010

S. B. No. 280 (RAISED) AN ACT CONCERNING SCHOOL TRANSPORTATION

Sen. Gaffey, Representative Fleischmann, Honorable Members of the Education Committee:

My name is William D. Moore. I am the Executive Director of the Connecticut School Transportation Association – COSTA. COSTA is a trade association comprised of owners and operators of school buses, student transportation vehicles and other associate members. Our membership of more than 125 companies and Boards of Education includes nearly all of the providers of student transportation in Connecticut. Our industry safely operates more than 10,000 school buses and student transportation vehicles (STVs) that safely transport nearly 500,000 children to and from school safely every day.

I am appearing before you today regarding Raised S.B. No. 280, *An Act Concerning School Transportation*. COSTA supports this measure and respectfully requests that the Education Committee report it out favorably. This measure will permit Regional Educational Service Centers (RESCs) to bid for transportation services if other contractors or private carriers fail to respond to requests for bids for service.

As you know, RESCs are quasi-state entities that provide a variety of services to their local board of education members.

RESCs traditionally do provide transportation services for special needs students within the service areas that they operate in. Recently, however, RESCs have been bidding for traditional student transportation services. We believe that RESCs enjoy an unfair competitive advantage and, therefore, will be able to consistently underbid the private sector on contracts.

This competitive advantage exists because the RESCs do not have the same operating costs that private carriers have. RESCs, as quasi-public entities receive nearly all of their funding from public sources. RESCs do not have the same overhead expenses that private carriers have and RESCs are tax-exempt. This combines to create an un-even playing field when bids are submitted.

We have already seen the results of this un-even playing field. In Eastford, EASTConn submitted the low bid at \$255 per bus per day. The next low bidder, Ruckstela Transportation was \$282 per bus per day, followed by M & J Transportation at \$285 per bus per day and Durham School Services came in at \$292 per bus per day.

When the Willington bid results were announced, the results were CREC at \$250 per bus per day, M & J Transportation was \$256.35 per bus per day and Durham School Services was \$349.35 per bus per day.

At the Chaplin bid opening, the results were similar; the low bidder was EASTConn at \$225 per bus per day, First Student was \$233.59 per bus per day and M & J Transportation came in at \$245 per bus per day.

The differences in the bids can be directly traced to the unfair competitive advantage that the RESCs enjoy.

In these instances, the bids submitted by RESC's were considerably lower in cost than those submitted by other private bus companies. Operating and overhead costs for RESC's providing student transportation appear to be significantly lower than private entities, presumably allowing them to submit a lower bid. The precise reasons for the lower overhead and operating costs are not fully known, but it is known that because RESC's are agencies of the state, they are tax-exempt. They do not pay sales taxes on the purchase and maintenance of student transportation vehicles or local property taxes on vehicles or garage facilities. Other factors unique to a state agency, such as reduced expenses for liability insurance, may also lead to lower costs.

A troubling aspect of the bidding became apparent at the Chaplin bid. When asked whether or not their buses had GPS systems and video cameras, First Student responded that they did and that the video cameras were digital video cameras, which are considerably more expensive than traditional video cameras. When asked if their buses were comparably equipped, EASTConn responded that their buses did not have that equipment included in the bid, but would offer it to the District at no additional cost.

When a private carrier cannot afford certain equipment as a part of its bid, it does not include it. How is a RESC able to offer the equipment at no additional cost? The answer is because it simply goes back to the local board or the state for additional funding to make up the deficit.

Our concerns about RESCs bidding on services go beyond these most recent examples.

We are all aware of the fiscal crisis facing the state and our municipalities. We are also aware that some are advocating RESCs take over student transportation services. Such a move would truly hurt local school districts.

As tax-exempt entities, municipalities will lose the property tax value not only of the vehicles "garaged" in their cities and towns, they will also lose the tax for the property and any buildings owned or leased by the private carriers, and the value of any personal property tax collected on the tangible property owned by the private carrier.

Should the RESCs try to consolidate operations and bring all of the buses to one central location, there will be additional cost to the local boards of education involved. Since there will be no consolidation of school

districts, there will be added travel expenses for the buses to go to the cities and towns they currently serve, as the students in those cities and towns will still need to be bused to school.

RESCs do not own the necessary number of buses to handle the full school population. As a result, they will have to purchase buses, adding to the cost. Given the examples above, I am not sure that the full cost of new buses was added to the bids submitted by the RESCs. When purchased, the state would be deprived of the sales tax and registration fees currently paid by private carriers.

RESCs do not have the requisite number of drivers to operate the buses should they be awarded the contracts. Should a private carrier lose the contract to a RESC, their employees would be laid off and the private carrier's unemployment rating would be affected.

Finally, there is an inherent conflict of interest for RESCs to operate such fleets.

As you know, RESCs are governed by a board comprised of members of the member boards of education representing the individual school districts that make up the RESC. Each member of the RESC board, therefore, has a potential direct interest in each bid for services received. This would present, we believe, a governance problem for the RESC board, should the RESC fail to perform under the terms of the contract awarded.

We understand the need for expense reductions at all levels. COSTA firmly believes that the marketplace, through competition, should establish the true cost for services. If a school district receives bids that are what it considers to be too high, that board has the absolute right to reject all of the bids and call for new bids.

Thank you very much for the opportunity to appear before you.

I will be happy to answer any questions that you might have.